



FRED WILLIAMSON & ASSOCIATES, INC.
Telecommunications Management Services

VIA ECFS

June 28, 2014

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
Office of Secretary
445 12th Street, S. W.
Washington, D.C. 20554

RE: Submission of information Pursuant to FCC 54.313 Rules and Request for Confidential Treatment – Connect America Fund, WC Docket No. 10-90; Lifeline and Link Up Reform and Modernization, WC Docket No. 11-42

Dear Ms. Dortch:

In accordance with the annual reporting requirements of 47 C.F.R. §§54.313 and 54.422, Lavaca Telephone Company, Inc. d/b/a Pinnacle Communications (“Pinnacle”), Arkansas, Study Area Code 401704, is submitting a completed FCC Form 481 to the Commission via its Electronic Comment Filing System (ECFS) in WC Docket Nos. 10-90 and 11-42. Pinnacle, by its authorized representative, hereby requests confidential treatment of two attachments to its FCC Form 481: (1) the five-year service quality improvement plan identified on Form 100, Line 112 and (2) the financial annual report identified on Form 3005, both of which were redacted in the ECFS submission. The request for confidential treatment of the five-year plan is being made pursuant to section 0.459 of the Commission’s rules and Exemption 4 of the Freedom of Information Act (FOIA). The request for confidential treatment of the financial annual report is being made pursuant to the FCC’s November 16, 2012 Protective Order in WC Docket No. 10-90 et al. These attachments contain competitively sensitive data that Pinnacle maintains as confidential and does not normally make available to the public. Release of this information would have a substantial negative impact on the Company.

Pinnacle is also transmitting the following information to the Commission in compliance with C.F.R. §§54.313 and 54.422:

- Submission to the Office of the Secretary, this cover letter and the Form 481 filing which includes the confidential information that is being requested to be withheld from public inspection. Confidential information has been designated in accordance with Confidentiality guidelines and the Protective Order.
- Two copies of the Form 481 filing in redacted form and an accompanying cover letter are also being provided with the confidential filing.
- Two copies of this cover letter and the Form 481 filing with the confidential information are also being delivered to Mr. Charles Tyler, Telecommunications Access Policy Division, Wireline Competition Bureau.

The confidential information has also been submitted to the Universal Service Administrative Company through its E-File system as an attachment to the FCC Form 481. Pinnacle requests that the information contained in its five-year service quality improvement plan be withheld from public inspection because it contains competitively sensitive commercial and financial information that the Company keeps confidential. Public availability of this information would have a substantial negative impact on the Company. Pinnacle offers the following information pursuant to section 0.459 of the Commission's rules and Exemption 4 of FOIA in support of this request:

(1) Identification of the specific information for which confidential treatment is sought:

Attachment to Line 112 of FCC Form 481 – Five-Year Service Quality Improvement Plan. Specifically, confidential treatment is sought for all information in the five-year plan related to the Company's future network plans and information concerning future services provided to customers.

(2) Identification of the Commission proceeding in which the information was submitted or a description of the circumstances giving rise to the submission:

The information was submitted in WC Docket Nos. 10-90 and 11-42 as an attachment to FCC Form 481- the Carrier Annual Reporting Data Collection Form. Section 100 of FCC Form 481 requires incumbent local exchange carriers receiving high cost support to attach a five-year service quality improvement plan, pursuant to 47 C.F.R. §§54.202(a)(1)(ii) and 54.313(a)(1).

(3) Explanation of the degree to which the information is commercial or financial, or contains a trade secret or is privileged:

The five-year service quality improvement plan contains information on the Company's future plans, number of customers served and other planning information that company does not make publicly available.

(4) Explanation of the degree to which the information concerns a service that is subject to competition:

Broadband is subject to increasing competition in the areas served by rural, rate-of-return incumbent local exchange carriers (RLECs). Virtually all RLECs face competition from one or more Internet service providers.

(5) Explanation of how disclosure of the information could result in substantial competitive harm:

Disclosure of the information contained in the five-year plan would provide competitors with detailed, granular information regarding the Company's strategic plans. This would provide competitors access to confidential information they could employ to develop their own plans a particular service area. This could cause competitive harm to the Company.

(6) Identification of any measures taken by the submitting party to prevent unauthorized disclosure:

The Company has continually treated information regarding its network and service plans as confidential and carefully controls the information to protect it from competitors.

(7) Identification of whether the information is available to the public and the extent of any previous disclosure of the information to third parties:

The redacted information in the five-year plan is not available to the public, and third party access is limited as described in (6) above.

(8) Justification of the period during which the submitting party asserts that material should not be available for public disclosure:

The Company requests that the extracted information be withheld from public inspection indefinitely. The five year planning period information would provide valuable information to competitors for several years beyond that period.

(9) Any other information that the party seeking confidential information treatment believes may be useful in assessing whether its request for confidentiality should be granted:

Exemption 4 of FOIA shields from public disclosure commercial or financial information obtained from a person that is privileged or confidential. Based on the responses provided above, the information in question satisfies this test.

Please contact me if you have any questions.

Sincerely,



Tim Morrissey
President
314-605-9220
tmorrissey@fwainc.com

Enclosures

cc: Mr. Charles Tyler, Telecommunications Access Policy Division, Wireline Competition Bureau, Federal Communications Commission, (2 hardcopies of confidential submission)

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**

Redacted For Public Inspection

 FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010> Study Area Code	401704
<015> Study Area Name	LAVACA TEL CO-AR
<020> Program Year	2015
<030> Contact Name: Person USAC should contact with questions about this data	JOHN ZEILER
<035> Contact Telephone Number: Number of the person identified in data line <030>	4796742104 ext.
<039> Contact Email Address: Email of the person identified in data line <030>	johnz@pinncom.com

ANNUAL REPORTING FOR ALL CARRIERS		54.313 Completion Required	54.422 Completion Required
(check box when complete)			
<100> Service Quality Improvement Reporting	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<200> Outage Reporting (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<210> <input checked="" type="checkbox"/> <-- check box if no outages to report		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<300> Unfulfilled Service Requests (voice)	0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<310> Detail on Attempts (voice)	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> (attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<320> Unfulfilled Service Requests (broadband)	0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<330> Detail on Attempts (broadband)	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> (attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<400> Number of Complaints per 1,000 customers (voice)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<410> Fixed	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<420> Mobile	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<430> Number of Complaints per 1,000 customers (broadband)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<440> Fixed	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<450> Mobile	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<510> <div style="border: 1px solid black; padding: 2px;">401704AR510.pdf</div>	(attached descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<600> Functionality in Emergency Situations	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<610> <div style="border: 1px solid black; padding: 2px;">401704AR610.pdf</div>	(attached descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<700> Company Price Offerings (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<710> Company Price Offerings (broadband)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<800> Operating Companies and Affiliates	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<900> Tribal Land Offerings (Y/N)? <input type="radio"/> <input checked="" type="radio"/>	(if yes, complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1000> Voice Services Rate Comparability	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1010> <div style="border: 1px solid black; padding: 2px;">401704AR1010.pdf</div>	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1100> Terrestrial Backhaul (Y/N)? <input checked="" type="radio"/> <input type="radio"/>	(if not, check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1110>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<2005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet

<3000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<3005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

(100) Service Quality Improvement Reporting Data Collection Form	
FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013	

<010>	Study Area Code	401704
<015>	Study Area Name	LAVACA TEL CO-AR
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	
<035>	Contact Telephone Number - Number of person identified in data line <030>	JOHN ZEILLER 4796742104 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	johnz@pinncm.com
<110>	Has your company received its ETC certification from the FCC?	<input type="radio"/> (yes / no) <input checked="" type="radio"/>
<111>	If your answer to Line <110> is yes, do you have an existing "5 year plan" filed with the FCC?	<input type="radio"/> (yes / no) <input type="radio"/>

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

401704AR112_Confidential.pdf

Name of Attached Document

Please check these boxes below to confirm that the attached document(s), on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

<113>	Maps detailing progress towards meeting plan targets	<input type="checkbox"/>
<114>	Report how much universal service (USF) support was received	<input type="checkbox"/>
<115>	How (USF) was used to improve service quality	<input type="checkbox"/>
<116>	How (USF) was used to improve service coverage	<input type="checkbox"/>
<117>	How (USF) was used to improve service capacity	<input type="checkbox"/>
<118>	Provide an explanation of network improvement targets not met in the prior calendar year.	<input type="checkbox"/>

[illegible]

(900) Tribal Lands Reporting Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013	
<010>	Study Area Code	4 01704	
<015>	Study Area Name	LAVACA TEL CO-AR	
<020>	Program Year	2015	
<030>	Contact Name - Person USAC should contact regarding this data	JOHN ZEILER	
<035>	Contact Telephone Number - Number of person identified in data line <030>	4796742104 ext.	
<039>	Contact Email Address - Email Address of person identified in data line <030>	johnze@pinncm.com	
<910>	Tribal Land(s) on which ETC Serves		
<920>	Tribal Government Engagement Obligation		

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached document(s), on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

<921>	Needs assessment and deployment planning with a focus on Tribal community anchor institutions.	Select (Yes, No, NA)
<922>	Feasibility and sustainability planning;	
<923>	Marketing services in a culturally sensitive manner;	
<924>	Compliance with Rights of way processes	
<925>	Compliance with Land Use permitting requirements	
<926>	Compliance with Facilities Siting rules	
<927>	Compliance with Environmental Review processes	
<928>	Compliance with Cultural Preservation review processes	
<929>	Compliance with Tribal Business and Licensing requirements.	

(1100) No Terrestrial Backhaul Reporting
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	401704
<015>	Study Area Name	LAVACA TEL CO-AR
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	JOHN ZEILER
<035>	Contact Telephone Number - Number of person identified in data line <030>	4796742104 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	johnz@pinncom.com

☐

Please check this box to confirm no terrestrial backhaul options exist within the supported area pursuant to § 54.313(G)

☐

Please check this box to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(G)

(1200) Terms and Condition for Lifeline Customers		FCC Form 481
Lifeline		OMB Control No. 3060-0986/OMB Control No. 3060-0819
Data Collection Form		July 2013

<010>	Study Area Code	401704
<015>	Study Area Name	LAVACA TEL CO-AR
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	JOHN ZEILER
<035>	Contact Telephone Number - Number of person identified in data line <030>	4796742104 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	johnz@pinm.com.com

<1210>	Terms & Conditions of Voice Telephony Lifeline Plans	<div>401704AR1210.pdf</div>	Name of Attached Document
<1220>	Link to Public Website	HTTP	

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

<1221>	Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,	<input checked="" type="checkbox"/>
<1222>	Details on the number of minutes provided as part of the plan,	<input checked="" type="checkbox"/>
<1223>	Additional charges for toll calls, and rates for each such plan.	<input checked="" type="checkbox"/>

(2000) Price Cap Carrier Additional Documentation		FCC Form 481
Data Collection Form		OMB Control No. 3060-0986/OMB Control No. 3060-0819
<i>Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers</i>		July 2013

<010>	Study Area Code	401704
<015>	Study Area Name	LAVACA TEL CO-AR
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	JOHN ZEILER
<035>	Contact Telephone Number - Number of person identified in data line <030>	4796742104 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	johnz@tinnicom.com

CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting		
<2010>	2nd Year Certification (47 CFR § 54.313(b)(1))	<input type="checkbox"/>
<2011>	3rd Year Certification (47 CFR § 54.313(b)(2))	<input type="checkbox"/>
Price Cap Carrier Receiving Frozen Support Certification (47 CFR § 54.312(a))		
<2012>	2013 Frozen Support Certification	<input type="checkbox"/>
<2013>	2014 Frozen Support Certification	<input type="checkbox"/>
<2014>	2015 Frozen Support Certification	<input type="checkbox"/>
<2015>	2016 and future Frozen Support Certification	<input type="checkbox"/>
Price Cap Carrier Connect America ICC Support (47 CFR § 54.313(d))		
<2016>	Certification Support Used to Build Broadband	<input type="checkbox"/>
Connect America Phase II Reporting (47 CFR § 54.313(e))		
<2017>	3rd year Broadband Service Certification	<input type="checkbox"/>
<2018>	5th year Broadband Service Certification	<input type="checkbox"/>
<2019>	Interim Progress Certification	<input type="checkbox"/>
<2020>	Please check the box to confirm that the attached document(s), on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.	

Name of Attached Document Listing Required Information

<2021> Interim Progress Community Anchor Institutions

Redacted For Public Inspection

(3000) Rate Of Return Carrier Additional Documentation	
Data Collection Form	
FCC Form 481	
OMB Control No. 3060-0986/OMB Control No. 3060-0819	
July 2013	

<010>	Study Area Code	401704
<015>	Study Area Name	LAVACA TEL CO-AR
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	JOHN ZETTLER
<035>	Contact Telephone Number - Number of person identified in data line <030>	4796742104 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	johanz@pinncom.com

CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3010)	Progress Report on 5 Year Plan Milestone Certification (47 CFR § 54.313(f)(1)(ii))	<div></div>
(3011)	Please check this box to confirm that the attached document(s), on line 3012 contains the required information pursuant to § 54.313 (f)(1)(ii), the carrier shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.	<div></div>

(3012)	Community Anchor Institutions (47 CFR § 54.313(f)(1)(iii))	<div></div>
(3013)	Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))	<div></div>
(3014)	If yes, does your company file the RUS annual report	<div></div>

Please check these boxes to confirm that the attached document(s), on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:

(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)	<div></div>
(3016)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows	<div></div>

(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	<div></div>
(3018)	If the response is no on line 3014, Is your company audited?	<div></div>
(3019)	If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications	<div></div>
(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows	<div></div>
(3021)	Management letter issued by the independent certified public accountant that performed the company's financial audit.	<div></div>
(3022)	If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains: Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers,	<div></div>
(3023)	Underlying information subjected to a review by an independent certified public accountant	<div></div>
(3024)	Underlying information subjected to an officer certification.	<div></div>
(3025)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows	<div></div>

(3026)	Attach the worksheet listing required information	<div></div>
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Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	401704
<015>	Study Area Name	LAVACA TEL CO-AR
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	JOHN ZEILER
<035>	Contact Telephone Number - Number of person identified in data line <030>	4796742104 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	johnz@pinncom.com

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	401704
<015> Study Area Name	LAVACA TEL CO-AR
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	JOHN ZEILER
<035> Contact Telephone Number - Number of person identified in data line <030>	4796742104 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	johnz@pinncom.com

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) <u>Tom Karalis</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	Tom Karalis
Name of Reporting Carrier:	LAVACA TEL CO-AR
Signature of Authorized Officer:	CERTIFIED ONLINE Date: 06/25/2014
Printed name of Authorized Officer:	Michael Gibson
Title or position of Authorized Officer:	President
Telephone number of Authorized Officer:	4796742211 ext.
Study Area Code of Reporting Carrier:	401704 Filing Due Date for this form: 07/01/2014
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	LAVACA TEL CO-AR
Name of Authorized Agent or Employee of Agent:	TOM KARALIS
Signature of Authorized Agent or Employee of Agent:	CERTIFIED ONLINE Date: 06/25/2014
Printed name of Authorized Agent or Employee of Agent:	TOM KARALIS
Title or position of Authorized Agent or Employee of Agent:	CONSULTANT
Telephone number of Authorized Agent or Employee of Agent:	9182981618 ext.
Study Area Code of Reporting Carrier:	401704 Filing Due Date for this form: 07/01/2014
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

**(710) Broadband Price Offerings
Data Collection Form**

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	401704
<015>	Study Area Name	LAVACA TEL CO-AR
<020>	Program Year	2015
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<035>	Contact Telephone Number - Number of person identified in data line <030>	4796742104 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	johnz@pincom.com

[illegible]

LAVACA TELEPHONE COMPANY, INC.
FIVE-YEAR QUALITY IMPROVEMENT PLAN
(USAC DOCUMENT - 401704AR112.PDF)

Title 47 §54.202(a)(1)(ii)
Five-Year Plan
Due: July 1, 2014

Company Name: Lavaca Telephone Company – Arkansas
Company Headquarters: Lavaca, AR

Narrative



LAVACA TELEPHONE COMPANY, INC.

QUALITY OF SERVICE AND CUSTOMER PROTECTION PROCESS

(USAC DOCUMENT - 401704AR510.PDF)

Lavaca Telephone Co. Inc., d.b.a. Pinnacle Communications

QUALITY OF SERVICE & CUSTOMER PROTECTION PROCESSES

1. **Available Customer Service Representatives to Answer Phones** – 95% of all calls received by Lavaca Telephone Co. Inc., d.b.a. Pinnacle Communications during business hours are answered by the third ring. When the assigned customer representatives are unable to answer calls by the third ring, calls are answered by our voice mail system and calls are returned to customers within the hour.
2. **Provide After Hours Emergency Customer Service** – Calls are answered within 60 seconds by our voice mail system. Calls are reviewed the following day by personnel. Customer service representatives have been given a list of questions by Lavaca Telephone Co. Inc., d.b.a. Pinnacle Communications to ask to assist them in resolving many issues. Unresolved issues are worked that day. Issues requiring immediate attention are sent to the Lavaca Telephone Co. Inc., d.b.a. Pinnacle Communications service technician on call, who works to resolve the matter as quickly as possible. If that technician is unable to resolve the problem, additional technicians are called. After-hours customer service is also available.
3. **Provide a 24/7 Hour Internet Help Desk Service** – All calls are answered within 60 seconds. Managers are available as necessary to review and address any issues.
4. **Give Customers Cut-off Warnings & Provide Bill Arrangement Opportunities** - Customers are given nearly two months of missed payments before being cut off. Notification of the payment due date and the cut-off date are prominently displayed on bills as well as of the opportunity to make payment arrangements to avoid being cut-off. A customer service representative will attempt to call a customer in danger of losing service to remind them of the late payment. Account balance reports are printed monthly internally using the company's billing system.
5. **Ensure That All New Service Installation Orders Are Fulfilled Promptly** – All customers are contacted within 48 hours regarding scheduling the new service installation. If outside plant is already in place, fill the order at the customers' earliest convenience; if outside plant is not in place, fill the order as soon as the weather permits.
6. **Minimize Customer Downtime for Services & Make Requested Changes Promptly** – Contact customers regarding all service requests the same day, with a goal of resolving all issues within 48 hours. Any unresolved issues will be resolved contingent on the technician/customer coordination of access to the premises.
7. **Proactively Monitoring in Case of Major Service Outages** – Service technicians will be made aware of outages affecting customers within an hour. It is the goal of Lavaca Telephone Co. Inc., d.b.a. Pinnacle Communications to resolve major outages in four hours or less. If an outage has not been resolved within four hours, technicians will begin utilizing all resources, both from within and from without.

CUSTOMER PRIVACY

Company Confidential Information Policy – Lavaca Telephone Co. Inc., d.b.a. Pinnacle Communications has a company policy in place that holds employees accountable for a breach of confidentiality concerning customer data and company information. The policy states: “You are reminded that revealing any type of confidential information to unauthorized persons or tampering with or altering company records and/or property is a violation of trust that can result in disciplinary action up to and including discharge.”

Company CPNI Policy – Lavaca Telephone Co. Inc., d.b.a. Pinnacle Communications also has a Customer Proprietary Network Information (CPNI) policy in place that ensures employee compliance with the FCC’s CPNI guidelines. Outlined within the policy is a detailed description of CPNI as well as both acceptable and unacceptable CPNI practices. Employees are required to sign waivers stating they understand and agree to comply with the policy and acknowledge that “failure to protect this information may result in disciplinary action up to and including discharge for the responsible employee.” As a part of this policy, Lavaca Telephone Co. Inc., d.b.a. Pinnacle Communications has designated a Compliance Officer responsible for assuring training of employees, monitoring CPNI related activities, and reporting breaches.

LAVACA TELEPHONE COMPANY, INC.

EMERGENCY SITUATION FUNCTIONALITY – AVAILABILITY OF BACK UP POWER

(USAC DOCUMENT - 401704AR610.PDF)

LAVACA TELEPHONE COMPANY, INC. d.b.a. PINNACLE COMMUNICATIONS
EMERGENCY SITUATION FUNCTIONALITY
AVAILABILITY OF BACK-UP POWER

Lavaca Telephone Co. Inc., d.b.a. Pinnacle Communications has one central office switch and one remote location within its service area. Each of these locations is equipped with a back-up battery supply as well as a generator capable of providing power to the equipment within that office in the event of an external power source outage. After a power outage, generators are inspected and are also professionally serviced bi-annually to ensure functionality.

In addition, Lavaca Telephone Co. Inc., d.b.a. Pinnacle Communications has installed back-up batteries on the customer premise equipment. Spare batteries are kept at Lavaca Telephone Co. Inc., d.b.a. Pinnacle Communication's main office for replacement of batteries at customer homes in the event of a prolonged power outage.

TRAFFIC ROUTING

Voice traffic between the central office switch and remote is carried across fiber. Voice traffic between the central office switch and the upstream tandem is also provisioned across fiber.

MANAGING TRAFFIC SPIKES

Lavaca Telephone Co. Inc., d.b.a. Pinnacle Communication's careful capacity planning has put multiple constraints and triggers in place on its Central Office equipment, outside plant equipment, and network backbone that will provide the company with the capability of handling traffic spikes during emergency situations.

Usage rates are analyzed monthly internally by Lavaca Telephone Co. Inc., d.b.a. Pinnacle Communications using reports automatically generated by the switch to ensure that usage does not exceed 90% of total line capacity.

Lavaca Telephone Co. Inc., d.b.a. Pinnacle Communications will monitor traffic internally on a monthly basis to ensure optimal efficiency.

LAVACA TELEPHONE COMPANY, INC.
VOICE SERVICES RATE COMPARABILITY
(USAC DOCUMENT - 401704AR1010)

Voice Services Rate Comparability

Lavaca Telephone Company, Inc. d.b.a. Pinnacle Communications - Arkansas

In compliance with the 54.313 Rules, Lavaca Telephone Company, Inc. d.b.a. Pinnacle Communications - Arkansas must certify that its current rate for fixed voice services is no more than two standard deviations above the national average urban rate for voice service. According to the 2014 Urban Rate Survey conducted by the FCC Wireline Competition Bureau, the weighted average unlimited local rate is \$20.46. ¹ USAC Guidelines (Page 56) provide that two standard deviations above the \$20.46 would be \$46.96. ²

The rates shown on the Voice Pricing Form (0700) are below \$46.96. Consequently, Lavaca Telephone Company, Inc. d.b.a. Pinnacle Communications – Arkansas meets the above mentioned requirement.

¹ <http://www.fcc.gov/encyclopedia/urban-rate-survey-data>

² www.usac.org/_res/documents/hc/pdf/forms/FCC-Form-481-Online-User-Guide.pdf

LAVACA TELEPHONE COMPANY, INC.

LIFELINE PLAN

(USAC DOCUMENT - 401704AR1210.PDF)

Lavaca Telephone Company dba Pinnacle Communications

Lifeline Plan

Pinnacle Communications offers Lifeline Telephone Service to its customers. The eligibility criteria for Lifeline service is indicated on the attachment. If eligible, a credit of \$9.25 is applied to the charges for the Federal Subscriber Line Charge and Basic Local Exchange Service. The rate for Basic Local Exchange Service for Pinnacle customers in Arkansas, before Lifeline credits, is \$14.15. Pinnacle customers receive unlimited local calling as part of the Basic Local Exchange Service Plan.

No other credits are applied to rates for remaining services, including toll service (if the customer does not have toll limitation service). Lavaca's toll rate plans and prices are attached.

LIFELINE ASSISTANCE APPLICATION
Certification Form - Arkansas**Office Use Only**Application ID _____
Company Name _____
Company Code _____Customer provided following documentation: _____
Name of household member enrolled in program: _____
Initials of reviewer: _____ Date: _____**Please verify your eligibility:**

1. Complete Section A Personal Information
2. Complete Section B OR Section C (reverse side)
3. Initial, sign and date the form in **Section D on the reverse side**
4. **Attach a copy of your most recent telephone bill and documents to support your eligibility**
5. Mail the application, bill and documents to Lifeline/Link-Up Administrator, 30 Lanidex Plaza West, PO Box 685, Parsippany, NJ 07054-0685

A. PERSONAL INFORMATIONThe person below **MUST BE** the same person listed on the telephone bill. Please remember to complete Section D of the application on the **reverse** side.Customer Name _____
Billing Address _____
Billing City _____
Billing State Zip Code _____Full Telephone Number _____
SERVICE ADDRESS
Street Address _____
City, State Zip Code _____Date of Birth: Month _____ Day _____ Year _____
(Required)

- ☐ Check if service address is temporary
- ☐ Check if service address is multi-household

Last 4 digits of SSN: _____ OR Tribal ID No. _____
(Required)

Lifeline is a federal government assistance benefit and willfully making false statements to obtain the benefit can result in fines, imprisonment, de-enrollment, or being barred from the program. Only one Lifeline service is available per household. A household is defined, for the purposes of the Lifeline program, as any individual or group of individuals who live together at the same address as one economic unit. An "economic unit" consists of all adult individuals contributing to and sharing in the income and expenses of a household. A household may include related and unrelated persons. A household is not permitted to receive Lifeline benefits from multiple providers. Violation of the one-per-household limitation constitutes a violation of the FCC's rules and will result in de-enrollment from the program and, potentially, prosecution by the U.S. government. Lifeline is a non-transferable benefit and you may not transfer your benefit to any other person.

B. PROGRAM-BASED ELIGIBILITYCheck all program(s) in which you or a household member is currently enrolled. **You must provide proof of program participation.** This could include a copy of your benefit ID card, a copy of an eligibility letter from an authorized agency or prior year's statement of benefits. (Do not send original documents.)

- ☐ Food Stamps/SNAP
- ☐ Medicaid
- ☐ Federal Public Housing Assistance (FPHA)
- ☐ Low-Income Home Energy Assistance Program (LIHEAP)
- ☐ National School Lunch Program's Free Lunch Program
- ☐ Temporary Assistance to Needy Families (TANF)
- ☐ Supplemental Security Income (SSI)
- (Not the same as Social Security Benefits)

Documentation will NOT be returned)

- ☐ I am an individual living on tribal land (any federally recognized Indian Tribe's reservation, Pueblo, or Colony, and Indian allotments)

If you checked the above box, please also indicate if you participate in any of the following programs:

- ☐ Tribal Head Start (those meeting the income qualifying standard)
- ☐ Bureau of Indian Affairs (BIA) General Assistance programs
- ☐ Tribally administered Temporary Assistance to Needy Families (TTANF)
- ☐ Tribal National School Lunch Program's Free Lunch Program
- ☐ Food Distribution Program on Indian Reservations (FDPIR)

PLEASE SEE OTHER SIDE FOR INCOME-BASED ELIGIBILITY METHOD SECTION AND SIGNATURE SECTION (REQUIRED!)

C. INCOME-BASED ELIGIBILITY

Calculate **TOTAL** household income by reporting the income of all adult persons residing in your home in the appropriate category:

Income Source	Amount	Household Size You must Circle One	Yearly Income @ 135 % of Federal Poverty Guidelines
Prior year's State, Federal or Tribal tax return OR			
Social Security; Retirement income			
Alimony or Child Support		1	\$15,512
Wages		2	\$20,939
Bureau of Indian Affairs General Assistance		3	\$26,366
Unemployment; Worker's Compensation		4	\$31,793
If you have more than 4 people in your household, write the number and add \$5,427 for each additional person.			

You must attach proof of income as reported above, examples include:

- Prior year's State, Federal or Tribal tax return **OR**
Most recent statement from each type of current income source(s) noted above:
- **Three consecutive months'** worth of your most recent paycheck stub(s) from all employers
- Social Security statement of benefits
- Veterans Administration statement of benefits
- Retirement/Pension statement of benefits
- Unemployment/Workmen's Compensation statement of benefits
- Child Support documentation
- Federal or Tribal notice letter of participation in Bureau of Indian Affairs General Assistance **OR**
- Divorce Decree

(Documentation will NOT be returned)

D. SIGNATURE (This section must be filled out completely)

Please **read** the following statements, **initial** by **each** certification, and **sign** below. [Disclosure Statement: Perjury and false statements are punishable by fine and/or imprisonment under Title 18 of the U.S. Code.]

By signing below, I **certify under penalty of perjury**, to each and every one of the following:

- _____ 1. I meet the income-based or program-based eligibility criteria for receiving Lifeline, provided in 47 C.F.R. Section 54.409. I have provided documentation of eligibility;
- _____ 2. I will notify the carrier within 30 days if, for any reason, I no longer satisfy the criteria for receiving Lifeline including, as relevant, if I no longer meet the income-based or program-based criteria for receiving Lifeline support, I am receiving more than one Lifeline benefit, or another member of my household is receiving a Lifeline benefit;
- _____ 3. (Only if applicable) If I am seeking to qualify for Lifeline as an eligible resident of Tribal lands, I live on Tribal lands, as defined in 47 C.F.R. Section 54.400(e);
- _____ 4. If I move to a new address, I will provide that new address to the telephone company within 30 days;
- _____ 5. (Only if applicable) If I provided a temporary residential address to the telephone company, I will be required to verify my temporary residential address every 90 days;
- _____ 6. My household will receive only one (1) Lifeline service, and, to the best of my knowledge, my household is not already receiving a Lifeline service;
- _____ 7. I acknowledge that I will be required to re-certify my continued eligibility for Lifeline at annually, and my failure to re-certify as to my continued eligibility will result in de-enrollment and the termination of my Lifeline benefits pursuant to 47 C.F.R. Section 54.405(e)(4);
- _____ 8. I acknowledge that providing false or fraudulent information to receive Lifeline benefits is punishable by law; and
- _____ 9. The information contained in the application and certification form is true and correct to the best of my knowledge.
- _____ 10. I acknowledge that information from this certification will be given to USAC and/or its agents for purpose of verifying that my household does not receive more than one benefit.

X _____
Customer Signature

Date

NATIONWIDE CALLING PLANS

(excluding Alaska & Hawaii)

500 Minutes - \$19.95

800 Minutes - \$29.95

1200 Minutes - \$39.95



Calling plans not available in all service areas.
Call your local office for more details. 1-877-817-6744

LAVACA TELEPHONE COMPANY, INC.
CONSOLIDATED FINANCIAL STATEMENTS
(USAC DOCUMENT - 401704AR3026.PDF)

LAVACA TELEPHONE COMPANY AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT ACCOUNTANT'S REVIEW REPORT
AND SUPPLEMENTARY INFORMATION

Years Ended December 31, 2013 and 2012

LAVACA TELEPHONE COMPANY AND SUBSIDIARY**TABLE OF CONTENTS**

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Independent Accountant's Review Report

The Board of Directors
Lavaca Telephone Company
Lavaca, Arkansas

We have reviewed the accompanying consolidated balance sheets of Lavaca Telephone Company and Subsidiary (an S Corporation) as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the consolidated financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included in the accompanying pages 15 through 19 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic consolidated financial statements, and we did not become aware of any material modifications that should be made to such information.

Tulsa, Oklahoma
May 19, 2014

Sartain Fischbein + Co.

December 31,

2013

2012

Current Assets:

[illegible]

\$		

[illegible][illegible][illegible][illegible][illegible][illegible][illegible][illegible][illegible][illegible][illegible][illegible][illegible]

\$ _____ \$ _____

REDACTED – FOR PUBLIC INSPECTION

	2013	2012
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	\$ [REDACTED]	\$ [REDACTED]
Accounts payable	[REDACTED]	[REDACTED]
Customer deposits	[REDACTED]	[REDACTED]
Other accrued liabilities	[REDACTED]	[REDACTED]
Total Current Liabilities	[REDACTED]	[REDACTED]
Long Term Debt	[REDACTED]	[REDACTED]
Other Noncurrent Liabilities	[REDACTED]	[REDACTED]
Total Liabilities	[REDACTED]	[REDACTED]
Stockholders' Equity:		
Common stock, \$100 par value: authorized, issued and outstanding 545 shares	[REDACTED]	[REDACTED]
Retained earnings	[REDACTED]	[REDACTED]
Accumulated other comprehensive income - unrealized gain on available- for-sale investment securities	[REDACTED]	[REDACTED]
Total Stockholders' Equity	[REDACTED]	[REDACTED]
	\$ [REDACTED]	\$ [REDACTED]

LAVACA TELEPHONE COMPANY AND SUBSIDIARY**CONSOLIDATED STATEMENTS OF OPERATIONS***Years Ended December 31,***2013****2012****Operating Revenues:**

Regulated:

Local service

Access and long-distance

Miscellaneous

Nonregulated:

Internet

Long distance

Video

Other

Total Operating Revenues**Operating Expenses:**

Regulated:

Plant specific

Plant non-specific:

Depreciation and amortization

Network and other

Customer operations

Corporate operations

Operating taxes

Nonregulated:

Internet

Long distance

Video

Other

Total Operating Expenses**Net Operating Income****Interest and Dividend Income****Equity in Net Operations of Investments****Interest Expense****Net Income**

See independent accountant's review report and notes to consolidated financial statements.

Years Ended December 31,

2013

2012

Net Income	\$
Other Comprehensive Income:	
Unrealized holding gains on securities	
Total Other Comprehensive Income	
Comprehensive Income	\$

4

REDACTED – FOR PUBLIC INSPECTION

LAVACA TELEPHONE COMPANY AND SUBSIDIARY**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY***Years Ended December 31, 2013 and 2012*

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2012	\$			
Net Income				
Other comprehensive income				
Balance, December 31, 2012				
Net income				
Dividends paid				
Other comprehensive income				
Balance, December 31, 2013	\$			

LAVACA TELEPHONE COMPANY AND SUBSIDIARY**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>Years Ended December 31,</i>	2013	2012
Cash Flows From Operating Activities:		
Net income	\$	\$
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		
Equity in net loss of investments - other		
(Increase) decrease in:		
Accounts receivable		
Prepaid expenses		
Materials and supplies		
Cash surrender value - officers' life insurance		
Other		
Increase (decrease) in:		
Accounts payable and accrued liabilities		
Other noncurrent liabilities		
Net Cash Provided by Operating Activities		
Cash Flows From Investing Activities:		
Purchase of available-for-sale investment securities		
Additions to investments - other		
Expansion and replacement of property, plant and equipment		
Proceeds from sale of property, plant and equipment		
Net Cash Used in Investing Activities		
Cash Flows From Financing Activities:		
Net increase in customer deposits		
Principal payments on long term debt		
Dividends paid		
Net Cash Used in Financing Activities	\$	\$

See independent accountant's review report and notes to consolidated financial statements.

REDACTED – FOR PUBLIC INSPECTION

	2013	2012
Net Increase (Decrease) in Cash and Cash Equivalents	\$ [REDACTED]	\$ [REDACTED]
Cash and Cash Equivalents, beginning of year	[REDACTED]	[REDACTED]
Cash and Cash Equivalents, end of year	<u>\$ [REDACTED]</u>	<u>\$ [REDACTED]</u>
OTHER DISCLOSURES		
Interest paid	\$ [REDACTED]	\$ [REDACTED]

LAVACA TELEPHONE COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of Lavaca Telephone Company and its wholly-owned subsidiary, Pinnacle Communications (collectively referred to as "the Company"). Intercompany transactions and balances have been eliminated in consolidation.

Description of Business: The Company operates a general telephone business in Lavaca, Arkansas with exchanges in Arkansas and Oklahoma. The Company also provides internet, long distance and video services.

Basis of accounting: The Company maintains its accounts in accordance with Part 32 of the Uniform System of Accounts prescribed by the Federal Communications Commission ("FCC"). The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which are consistent in all material respects with the accounting prescribed by the FCC.

Cash and Cash Equivalents: Cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less.

Interest-bearing cash balances at financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$ [REDACTED] for each financial institution. As of December 31, 2013, the Company had approximately \$ [REDACTED] in uninsured cash balances at FDIC institutions.

Accounts Receivable and Credit Policies: Accounts receivable consists of amounts due from subscribers, including local service, toll, taxes and applicable fees. Accounts receivable also include amounts due from long distance carriers, access service pools, and cable television, internet, and cellular customers. Accounts receivable are uncollateralized (however, certain customers are required to have a deposit) and due monthly. Accounts receivable are stated at the amount billed. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected.

Materials and Supplies: Materials and supplies consist of regulated inventory used in the construction of telephone plant in service and nonregulated inventory held for resale to customers. All inventory is stated at the lower of cost, as determined using the average cost method, or market.

LAVACA TELEPHONE COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

Investments in Nonregulated Operations: Depreciation on property and equipment used in nonregulated operations is provided by the straight-line method over the estimated useful lives of the related assets. Repairs and maintenance are charged to expense as incurred, whereas major improvements are capitalized. Depreciation expense charged to nonregulated operations was approximately \$ [REDACTED] 013 and 2012.

Investment Securities: Investment securities consist of investments in equity securities. Investment securities are classified as available-for-sale and are carried at fair value. Unrealized gains and losses on securities available-for-sale are recognized, net of income taxes, as a direct increase or decrease in stockholders' equity.

Fair Value Measurement: Accounting Standards Codification ("ASC") Topic 820, "Fair Value Measurements and Disclosures" defines fair value as the price that would be received to sell an asset or paid to transfer a liability ("exit price") in an orderly transaction between market participants at the measurement date. ASC Topic 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy is broken down into three levels based on the reliability of inputs as follows: Level 1, based on quoted prices for identical assets or liabilities in active markets that the Company has the ability to process, Level 2 based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets, or inputs other than quoted price that are observable for the asset or liability, and Level 3, based on inputs that are unobservable and significant to the fair value measurement.

Property, Plant, and Equipment: Property, plant and equipment is carried at historical cost. Depreciation is provided by the straight-line method over the estimated useful lives of the related assets. Depreciation expense on property, plant and equipment was approximately \$ [REDACTED] in 2013 and [REDACTED] in 2012.

Recognition of Local Service Revenue: Local service revenue includes charges for monthly local telephone service and settlements from the Federal Universal Service Fund. Revenues are recognized in the month service is provided. Approximately \$ [REDACTED] or [REDACTED] operating revenues in 2013 and \$ [REDACTED] of operating revenues in 2012, derive from the Federal Universal Service Fund.

LAVACA TELEPHONE COMPANY AND SUBSIDIARY **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** **YEARS ENDED DECEMBER 31, 2013 AND 2012**

Other investments consist of investments in closely-held entities, accounted for using the equity method, and in which the recognition of losses exceed the original cost of the investment. In 2013, and 2012, the Company recognized losses from these investments of \$ [REDACTED] respectively.

3. INVESTMENT SECURITIES

Investment securities, which are all considered as available-for-sale at December 31, are:

		<u>2013</u>		
	<u>Amortized</u>	<u>Gross</u>	<u>Gross</u>	<u>Fair</u>
	<u>Cost</u>	<u>Unrealized</u>	<u>Unrealized</u>	<u>Value</u>
		<u>Gains</u>	<u>Losses</u>	
Equity Securities –	[REDACTED]			
Mutual Funds				

		<u>2012</u>		
	<u>Amortized</u>	<u>Gross</u>	<u>Gross</u>	<u>Fair</u>
	<u>Cost</u>	<u>Unrealized</u>	<u>Unrealized</u>	<u>Value</u>
		<u>Gains</u>	<u>Losses</u>	
Equity Securities –	[REDACTED]			
Mutual Funds				

4. PROPERTY, PLANT AND EQUIPMENT

Following is a summary of property, plant and equipment at December 31:

	<u>2013</u>	<u>2012</u>
Land	[REDACTED]	
Buildings and improvements		
Furniture and equipment		
Central office switching		
Central office transmission		
Cable and wire facilities		
Less accumulated depreciation	[REDACTED]	
Net property and equipment		

LAVACA TELEPHONE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

5. LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2013</u>	<u>2012</u>
<p>█████% note payable to Benefit Bank, due in monthly installments of approximately \$█████ including interest, with a final balloon payment due September 1, 2015. Real estate of the Company are pledged as collateral.</p>	\$	
Less current maturities	\$	
Maturities of long-term debt are as follows:		
2014	\$	
2015	\$	

6. OTHER NONCURRENT LIABILITIES

In 2012, the Company entered into deferred compensation agreements with certain of its officers that provide for payments upon their retirement. Other noncurrent liabilities consist of the obligations under these agreements.

The Company has funded these deferred compensation obligations with certain investments totaling approximately \$█████ at December 31, 2013 and \$█████ at December 31, 2012. (See Note 2)

7. FAIR VALUE MEASUREMENTS

ASC Topic 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

LAVACA TELEPHONE COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value is based on the following valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013 as compared to those used at December 31, 2012.

Mutual funds: Valued at the net asset value of shares held by the Company at year end. The net asset value is equivalent to the closing price reported on the active market on which the individual securities are traded.

Investments to fund deferred compensation agreements: Valued at the quoted market prices of the underlying investments included in the master trust.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair measurement at the reporting date.

LAVACA TELEPHONE COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

The following table sets forth by level, within the fair value hierarchy, the Company's assets recorded at fair value on a recurring basis as of December 31, 2013 and 2012:

Investments at Fair Value as of December 31, 2013

	Level 1	Level 2	Level 3	Total
Mutual Funds	\$			
Investments to fund deferred compensation agreements				
	\$			

Investments at Fair Value as of December 31, 2012

	Level 1	Level 2	Level 3	Total
Mutual Funds	\$			
Investments to fund deferred compensation agreements				
	\$			

8. RISKS AND UNCERTAINTIES

The Company services various local telephone exchanges in Arkansas and Oklahoma. The Company is subject to rate regulation by the Federal Communications Commission and the Arkansas and Oklahoma Corporation Commissions. The telecommunications industry is moving into a competitive environment with new competitors and required restructuring of revenue from access charges and support mechanisms.

The subject is controversial and difficult to resolve. Therefore, at this time, the impact of such changes both from Federal and State Commissions cannot be determined.

The Company is also subject to audits from federal and state oversight organizations because of its participation in certain high cost funding mechanisms. At this time, the Company does not expect any such audits to have a material effect on its financial statements.

LAVACA TELEPHONE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

In November 2011, the Federal Communications Commission ("FCC") released the "USF/ICC Transformation Order" (the "Order") and "Further Notice of Proposed Rulemaking" ("FNPRM"), with the stated objective of reforming and modernizing the universal service and intercarrier compensation systems.

To date, numerous petitions for reconsideration of certain aspects of the Order and FNPRM have been filed by certain affected companies and telecommunications industry organizations. In addition, in February 2012, the FCC issued a further order to revise and clarify certain rules of the Order, and to modify certain requirements of the Order. This further order also stated that the above mentioned petitions for reconsideration are pending before the FCC and will be addressed by the FCC.

The final resolution of the above-mentioned petitions for reconsideration and their effect on the ultimate provisions of the Order is unknown at this time. As a result, the effect of the Order on the Company's intercarrier revenues and universal service revenues is not known at this time.

SUPPLEMENTARY INFORMATION

LAVACA TELEPHONE COMPANY AND SUBSIDIARY**CONSOLIDATING BALANCE SHEET***December 31, 2013*

	Lavaca	Pinnacle	Elimina-	Consoli-
	Telephone	Telephone	tion	dated
ASSETS				
Current Assets:				
Cash and cash equivalents	\$			
Accounts Receivable:				
Due from customers, net				
Due from affiliate				
Due from long distance carriers and pools				
Materials and supplies				
Total Current Assets				
Noncurrent Assets:				
Investments - other				
Investment securities				
Cash surrender value of officer life insurance				
Total Noncurrent Assets				
Property, Plant and Equipment, at cost				
Telephone plant in service				
Less accumulated depreciation				
Net Property, Plant and Equipment				
	\$			

	Lavaca Telephone Co.	Pinnacle Telecom LLC	Elimina- tions	Consoli- dated Balance
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Current maturities of long-term debt				
Accounts payable				
Accounts payable - affiliate				
Customer deposits				
Other accrued liabilities				
Total Current Liabilities				
Long Term Debt				
Other Noncurrent Liabilities				
Total Liabilities				
Stockholders' Equity:				
Common stock				
Retained earnings				
Accumulated other comprehensive income				

LAVACA TELEPHONE COMPANY AND SUBSIDIARY**CONSOLIDATING STATEMENT OF OPERATIONS***Year Ended December 31, 2013*

	Lavaca Telephone Co.	Pinnacle Telecom LLC	Elimina- tions	Consoli- dated Balance
Operating Revenues:				
Regulated:				
Local service				
Access and long-distance				
Miscellaneous				
Nonregulated:				
Internet				
Long distance				
Video				
Other				
Total Operating Revenues				
Operating Expenses:				
Regulated:				
Plant specific				
Plant non-specific:				
Depreciation and amortization				
Network and other				
Customer operations				
Corporate operations				
Operating taxes				
Nonregulated:				
Internet				
Long distance				
Video				
Other				
Total Operating Expenses				
Net Operating Income				
Interest and Dividend Income				
Equity in Net Operations of Investments				
Interest Expense				
Net Income				

LAVACA TELEPHONE COMPANY AND SUBSIDIARY**SCHEDULE OF TELEPHONE PLANT IN SERVICE - ARKANSAS***December 31, 2013***Assets**

	Balance December 31, 2012	Additions	Disposals/ Reclass- ifications	Balance December 31, 2013
Land	\$			
Motor Vehicles				
Other Work Equipment				
Buildings				
Building - Remote				
Building - Signage				
Furniture				
Office Support Equipment				
General Purpose Computers				
COE - Digital Electronic Switch				
COE Remote - Generator				
COE - Voice Mail				
COE - ADSL Multiplex				
Circuit Equip. - Local CXR				
Poles				
Buried Fiber				
Aerial Wire				
	\$			

Accumulated Depreciation

<u>Annual Depreciation Rate</u>	<u>Balance December 31, 2012</u>	<u>Additions</u>	<u>Disposals/ Reclass- ifications</u>	<u>Balance December 31, 2013</u>
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LAVACA TELEPHONE COMPANY AND SUBSIDIARY

SCHEDULE OF TELEPHONE PLANT IN SERVICE - OKLAHOMA

December 31, 2013

Assets


	Balance December 31, 2012	Additions	Disposals/ Reclass- ifications	Balance December 31, 2013
Land				
Motor Vehicles				
Other Work Equipment				
Buildings				
Furniture				
Office Support Equipment				
General Purpose Computers				
COE - ADSL Multiplex				
Circuit Equip. - Local CXR				
Poles				
Buried Cable				
Buried Cable - Right of Way				
Buried Cable - Drops				
Buried Fiber				
Aerial Wire				

Accumulated Depreciation

<u>Annual Depreciation Rate</u>	<u>Balance December 31, 2012</u>	<u>Additions</u>	<u>Disposals/ Reclass- ifications</u>	<u>Balance December 31, 2013</u>
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LAVACA TELEPHONE COMPANY AND SUBSIDIARY**SCHEDULE OF OPERATIONS BY STATE***Year Ended December 31, 2013*

	<u>Arkansas</u>	<u>Oklahoma</u>	<u>Total</u>
Operating Revenues:			
Local service			
Access and long-distance			
Miscellaneous			
Total Operating Revenues			
Operating Expenses:			
Plant specific			
Plant non-specific:			
Depreciation and amortization			
Network and other			
Customer operations			
Corporate operations			
Total Operating Expenses			
Net Operating Revenue			
Operating Taxes:			
Other operating taxes			
Total Operating Taxes			
Net Operating Income			
Interest and Dividend Income			
Interest Expense			
Net Regulated Income			
Nonregulated Income			
Net Income			

REDACTED – FOR PUBLIC INSPECTION